

The Finance Authority of New Orleans

Financial Statements as of and for the
Year Ended March 31, 2008, and
Independent Auditors' Reports

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5/13/09

THE FINANCE AUTHORITY OF NEW ORLEANS

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Deloitte.

**Bruno
&Tervalon LLP**

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Finance Authority of New Orleans:

We have audited each of the accompanying individual financial statements of The Finance Authority of New Orleans (the "Authority") as of March 31, 2008, and for the year then ended, as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the Authority at March 31, 2008, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2008, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and on the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

Bruno & Terralon LLP

November 20, 2008

THE FINANCE AUTHORITY OF NEW ORLEANS

MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED MARCH 31, 2008 (UNAUDITED)

Management's Discussion and Analysis of The Finance Authority of New Orleans' financial performance presents a narrative overview and analysis of the Authority's financial activities for the year ended March 31, 2008. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the Authority's financial statements, which begin on page 7.

The combined financial statements include the totals of the similar accounts of each of the Authority's bond programs and the Operating Fund, NOHMA Development Corporation, Unrestricted Fund, Xavier University Fund, Pathways to Homeownership New Orleans, Inc. and the Willows Housing Restoration Corporation. Because the assets of the bond programs and certain of the other funds are restricted by the related bond resolutions and indentures, the totaling of the accounts, including the assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in the resolutions and indentures relating to the separate programs. For purposes of this analysis, we will, except when specifically indicated, refer to the combined totals in order to assist the reader in understanding the overall financial status of the Authority.

The Authority's fiscal year ends on March 31 of each year. Therefore, the year ended March 31, 2008, is referred to as 2008 or Fiscal 2008 and the year ended March 31, 2007, is referred to as 2007 or Fiscal 2007 herein.

FINANCIAL HIGHLIGHTS

- The Authority's assets exceeded its liabilities at the close of fiscal 2008 by \$32,415,000, which represents a 12% increase from last year.
- The Authority's mortgage-backed and other securities had net unrealized gains of \$2,214,000 in Fiscal 2008 compared to total net unrealized losses of \$787,000 in Fiscal 2007.
- Excluding the unrealized gains on securities, the Authority's revenues exceeded its expenses by \$1,249,000 in Fiscal 2008 compared to (\$795,000) in Fiscal 2007. The excess of revenues over expenses before operating transfers was \$3,471,000 compared to a deficiency in revenues over expenses before operating transfers in Fiscal 2007 of (\$1,582,000) primarily as a result of 1) the change in the fair market value of investments; 2) lower interest expense on bonds payable net of increased operating expenses on Willows in Fiscal 2008 compared to Fiscal 2007 of (\$1,662,000) and \$1,548,000, respectively; and 3) other income related to the gain on the Willows final insurance settlement of \$1,160,000.
- During 2004, the Authority formed Willows Housing Restoration Corporation ("Willows"). Willows acquired a 263-unit apartment complex from a national not-for-profit organization. The Authority made certain improvements to the complex during 2005 and intended to place it for sale. The apartment complex was severely damaged in connection with Hurricane Katrina, which struck the New Orleans area on August 29, 2005. Please see page 6 which contains information about the effects of Hurricane Katrina upon the Authority.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of two sections — Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

BASIC FINANCIAL STATEMENTS

The basic financial statements include information on a combined basis for the Authority as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Individual balance sheets; the Individual statements of revenues, expenses, and changes in net assets; and the Individual statements of cash flows. Each statement is presented as an Individual statement for all funds followed by separate statements which disaggregate the information for individual single family funds.

The Individual balance sheets (pages 7 and 8) present the assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Individual statements of revenues, expenses, and changes in net assets (pages 9 and 10) present information showing how the Authority's net assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Individual statements of cash flows (pages 11 through 14) present information showing how the Authority's cash changed as a result of the current year's operations. The Individual cash flow statements are prepared using the direct method and includes the reconciliation of the excess (deficiency) of revenues over expenses before operating transfers to net cash provided by (used in) operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE AUTHORITY

Combined statements of net assets as of March 31, 2008 and 2007, are as follows (in thousands):

	2008	2007
Cash, GICs, and other securities	\$ 173,783	\$ 187,566
Mortgage-backed securities	60,702	55,662
Notes and other receivables	45,290	44,524
Capital assets — net	16,882	13,405
Other assets	<u>4,141</u>	<u>3,805</u>
Total assets	<u>300,798</u>	<u>304,962</u>
Other liabilities	17,976	17,218
Long-term debt outstanding	<u>250,407</u>	<u>258,800</u>
Total liabilities	<u>268,383</u>	<u>276,018</u>
Net assets:		
Invested in capital assets — less related debt	8,963	8,363
Restricted	12,806	14,523
Unrestricted	<u>10,646</u>	<u>6,058</u>
Total net assets	<u>\$ 32,415</u>	<u>\$ 28,944</u>

Net assets invested in capital assets represent property and equipment, principally the Willows Apartment complex, less the related mortgage notes payable to Hancock Bank. Restricted net assets represent those assets that are not available for general use due to the terms of the various bond trust indentures under which assets are held and pledged as security for the bonds of the Authority's Mortgage Revenue Bond Programs less the related liabilities. Conversely, unrestricted net assets are those assets for which there are no such limitations.

Capital assets increased from \$13,405,000 at March 31, 2007 to \$16,882,000 at March 31, 2008. This increase was due to capital additions to the Willows. Page 6 contains additional information about the status of the Willows. Note 7 to the financial statements summarizes activity in capital assets during the year.

Net assets of the Authority increased by \$3,471,000, or 12%, from March 31, 2007 to March 31, 2008. This increase in net assets is attributed to the net unrealized gains on the fair value of investments of \$2,214,000; a decrease in interest expense on bonds net of an increase in operating expenses of Willows in Fiscal 2008 compared to Fiscal 2007 of (\$1,662,000) and \$1,548,000, respectively; and insurance proceeds recognized as income in Fiscal 2008 related to the final insurance settlement for Willows of \$1,160,000.

	2008 (In thousands)	2007 (In thousands)
Operating revenues	\$ 20,025	\$ 15,158
Operating expenses	<u>16,554</u>	<u>16,740</u>
Deficiency of revenues over expenses	<u>\$ 3,471</u>	<u>\$ (1,582)</u>

OPERATING REVENUE

The Authority's revenues, exclusive of total unrealized gains and losses on securities increased to \$17,803,000 in 2008 as compared to \$15,945,000 in 2007. This increase was due primarily related to rental income and insurance proceeds received on Willows, a decrease in interest income on mortgage backed securities, an increase loans and other investments related to the decline in interest rates year over year. As interest rates have declined in 2008 compared to 2007, the values of the Authority's interest rate sensitive assets have increased. In addition the Authority had a total net increase in the fair market value of investments of \$2,214,000 in 2008 compared to a total net decrease in the fair value of investments of (\$795,000) in 2007. As discussed in Note 1 to the financial statements, at March 31, 2008, the fair value of such investments exceeded their historic cost by approximately \$8,456,000. Expenses decreased by \$186,000 as a result of decreased interest expense of \$712,000 and a decrease in amortization expense of bond issuance and other costs of \$875,000 offset by an increase in program expenses of \$1,401,000 primarily related to the operation of Willows.

DEBT

The Finance Authority of New Orleans had \$250,407,000 in bonds and notes outstanding at year-end, 2008 compared to \$258,000,000 at the end of 2007, a decrease of 3%, as shown in the below (in thousands)

	2008	2007
Mortgage revenue bonds	\$ 242,488	\$ 253,758
Mortgage on the Willows Apartment complex	<u>7,919</u>	<u>5,042</u>
Totals	<u>\$ 250,407</u>	<u>\$ 258,800</u>

The decreased debt level resulted primarily from bond redemptions made during fiscal 2007 of approximately \$11,000,000 net of an increase in Willows debt of approximately \$3,000,000.

Note 8 to the financial statements discloses the details of debt for the year ended March 31, 2008.

The Authority's single family bond issue rating continues to carry an AAA rating due to the GNMA and FNMA securities pledged as collateral for the Authority's bond issues.

The Authority has accrued interest and other liabilities of \$17,976,000 outstanding at year-end 2008 compared with \$17,218,000 at year end 2007.

HURRICANE KATRINA

On August 29, 2005, Hurricane Katrina struck the New Orleans and other Gulf Coast areas. The Hurricane did substantial damage to the City of New Orleans and included much flooding. At March 31, 2007, the Unrestricted and NOHMA development fund of the Authority had approximately \$1,600,000 of loans on properties in New Orleans which do not have private mortgage insurance or government guarantees. In addition, the Willows Housing Restoration Corporation ("Willows") owns an apartment complex in New Orleans which was severely damaged by Hurricane Katrina. In the year ended March 31, 2006, the Willows wrote off approximately \$4,260,000 of the net book value of the property and incurred about \$1,400,000 of clean up and other remediation costs. Willows received about \$4,900,000 of flood insurance proceeds through March 31, 2008. In addition, the Willows has general wind and other damage insurance for which it received approximately \$150,000 in proceeds through March 31, 2008. Willows filed claims with its insurer for additional insurance proceeds and during Fiscal 2009, received final settlement of \$2,200,000 on these claims, of which \$1,160,000 was recorded as a gain in other income and as a receivable at March 31, 2008. The Willows completed reconstruction of some units in fiscal 2007 and began renting them. During 2008, reconstruction on all units was substantially completed.

CONTACTING THE FINANCE AUTHORITY OF NEW ORLEANS' MANAGEMENT

This financial report is designed to provide New Orleans' citizens and taxpayers, as well as the Authority's customers, and creditors with a general overview of The Finance Authority of New Orleans's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact

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THE FINANCE AUTHORITY OF NEW ORLEANS

INDIVIDUAL BALANCE SHEETS — ALL FUNDS

AS OF MARCH 31, 2008

(In thousands)

ASSETS	Operating Fund	NOHMA Development Corporation	Unrestricted Fund	Xavier University Fund	Pathways to Homeownership New Orleans, Inc.	Willows Housing Restoration Corporation	Single Family Program Funds	Combined
CASH	\$ 4,865	\$167	\$ 124	\$ 11	\$ 53	\$ 169	\$ 2,887	\$ 8,276
GUARANTEED INVESTMENT CONTRACTS							107,076	107,076
U.S. GOVERNMENT AND AGENCY SECURITIES	166		898				57,367	58,431
MORTGAGE-BACKED SECURITIES			170				60,532	60,702
RECEIVABLES:								
Mortgage loans				32,465			459	33,553
Accrued interest	3	165	7	372				547
Due from Willows Housing Restoration Corporation	9,954							9,954
Other loans		120	483				740	1,343
Total receivables	9,957	285	1,119	32,837	-	-	1,199	45,397
Less allowance for doubtful receivables		(50)	(57)					(107)
Receivables — net	9,957	235	1,062	32,837	-	-	1,199	45,290
INSURANCE ESCROW ACCOUNT						293		293
CAPITAL ASSETS	23		180			16,679		16,882
PREPAID EXPENSES						150		150
RECEIVABLE FROM INSURANCE COMPANIES						2,200		2,200
BOND ISSUANCE COSTS AND OTHER DEFERRED EXPENSES — Net of accumulated amortization						6		1,498
TOTAL	\$15,011	\$402	\$2,434	\$32,848	\$ 53	\$ 19,497	\$230,553	\$300,798
LIABILITIES AND NET ASSETS								
LIABILITIES:								
Accrued interest and other								
Due to operating fund	\$ 159	\$-	\$ -	\$ 553	\$ 50	\$ 118	\$ 2,172	\$ 3,052
Restricted grants						9,954	3,862	9,954
Deferred revenue				32,295		7,919	1,108	1,108
Bonds and notes payable				32,848	50	17,991	210,193	250,407
Total liabilities	159	-	-	32,848	50	17,991	217,335	268,383
COMMITMENTS AND CONTINGENCIES								
NET ASSETS:								
Invested in capital assets — less related debt	23	180				8,760	12,806	8,963
Restricted	14,829	402	2,254		3	(7,254)	412	12,806
Unrestricted								10,646
Total net assets	14,852	402	2,434	-	3	1,506	13,218	32,415
TOTAL	\$15,011	\$402	\$2,434	\$32,848	\$ 53	\$ 19,497	\$230,553	\$300,798

See notes to financial statements.

THE FINANCE AUTHORITY OF NEW ORLEANS
INDIVIDUAL BALANCE SHEETS — SINGLE FAMILY PROGRAM FUNDS
AS OF MARCH 31, 2008
(In thousands)

Single Family Program Funds																			
	Series A of 1985	MRCMO of 1981	Refunding Series of 1982	Series A of 1983	Series A of 1984	Series A of 1985	Series A&B of 1986	Series A&B of 1987	Series A&B of 1988	Series A&B of 1989	Series A&B of 2000	Series A&B of 2001	MRCMO of 2002	Series A of 2003	Series A of 2003	GNMA Series A of 2003	2006 Single Family	Series A of 2006	Combined
ASSETS																			
CASH	\$ 13	\$ 24	\$ 35	\$ 72	\$ 119	\$ 3	\$ 2	\$ 5	\$ 51	\$ 6	\$ 51	\$ 22	\$ 10	\$ 3	\$ 1,264	\$ 723	\$ 215	\$ 2,887	
GUARANTEED INVESTMENT CONTRACTS	126	131					410	638	1,383	332	1,383	483		791		100,000	2,247	107,076	
U.S. GOVERNMENT AND AGENCY SECURITIES		1,235	56,132															57,367	
MORTGAGE-BACKED SECURITIES							3,671	4,867	5,964	4,868	5,964	5,083	289	5,546	2,640		22,494	60,532	
RECEIVABLES:																			
Mortgage loans	167			100	115		77	37	60	32	60	33	1	35	18	316	139	459	
Accrued interest and other	7			2	1		27	37	60	32	60	33	1	35	18	316	139	740	
Total receivables	174	-	-	102	116	-	104	74	120	64	120	66	2	70	36	632	278	1,199	
Less allowance for doubtful receivables																			
Receivables — net	174	-	-	102	116	-	104	74	120	64	120	66	2	70	36	632	278		
BOND ISSUANCE COSTS AND OTHER DEFERRED EXPENSES — Net of accumulated amortization			121				30	64	57,554	124	57,554	198	5	212	56	45	541	1,492	
TOTAL	\$313	\$1,390	\$56,288	\$174	\$235	\$ 3	\$4,217	\$5,611	\$7,554	\$5,362	\$7,554	\$5,819	\$305	\$6,587	\$3,978	\$101,084	\$25,636	\$230,553	
LIABILITIES AND NET ASSETS																			
LIABILITIES:																			
Accrued interest and other	\$ 88	\$ -	\$ 648	\$ -	\$ -	\$ -	\$ 64	\$ 33	\$ 98	\$ 252	\$ 98	\$ 85	\$ 4	\$ 97	\$ 5	\$ 239	\$ 399	\$ 2,172	
Restricted grants							780	707	486	685	486	331		191				3,862	
Deferred revenue	8	832	49,452				32	39	132	54	132	99	125	6,044	2,300	100,000	436	1,108	
Revenue bonds payable							3,510	3,265	5,175	4,137	5,440	5,240					24,665	210,193	
Total liabilities	96	832	50,100	-	-	-	4,386	4,064	6,051	5,206	6,123	5,824	129	6,480	2,305	100,239	25,500	217,335	
COMMITMENTS AND CONTINGENCIES																			
NET ASSETS:																			
Restricted	217	558	6,188	174	235	3	(169)	1,547	1,431	156	1,431	(5)	176	107	1,673	845	136	12,806	
Unrestricted																		412	
Total net assets	217	558	6,188	174	235	3	(169)	1,547	1,431	156	1,431	(5)	176	107	1,673	845	136	13,218	
TOTAL	\$313	\$1,390	\$56,288	\$174	\$235	\$ 3	\$4,217	\$5,611	\$7,554	\$5,362	\$7,554	\$5,819	\$305	\$6,587	\$3,978	\$101,084	\$25,636	\$230,553	

See notes to financial statements.

THE FINANCE AUTHORITY OF NEW ORLEANS

INDIVIDUAL STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS — ALL FUNDS FOR THE YEAR ENDED MARCH 31, 2008 (In thousands)

	Operating Fund	NOHMA Development Corporation	Unrestricted Fund	Xavier University Fund	Pathway to Homeownership New Orleans, Inc.	Willows Housing Restoration Corporation	Single Family Program Funds	Combined
REVENUES:								
Interest on mortgage loans and mortgage-backed securities	\$ -	\$ -	\$ 22	\$ 1,667	\$ -	\$ -	\$ 3,419	\$ 5,108
Interest on other investments	38		29				9,710	9,777
Lender participation fees							169	169
Unrealized gain (loss) on:								
Mortgage-backed securities	8						160	168
Other securities						1,010	2,054	2,054
Rental income	179	28	1			1,278	253	1,010
Other								1,739
Total revenues	<u>225</u>	<u>28</u>	<u>52</u>	<u>1,667</u>	<u>-</u>	<u>2,288</u>	<u>15,765</u>	<u>20,025</u>
EXPENSES:								
Interest on bonds	792		4	1,662			10,714	12,376
Program expenses	6		10	5		2,138	152	3,091
Amortization of bond issuance and other costs						479	592	1,087
Total expenses	<u>798</u>	<u>-</u>	<u>14</u>	<u>1,667</u>	<u>-</u>	<u>2,617</u>	<u>11,458</u>	<u>16,554</u>
EXCESS OF (DEFICIENCY IN) REVENUES OVER EXPENSES BEFORE OPERATING TRANSFERS	(573)	28	38	-	-	(329)	4,307	3,471
OPERATING TRANSFERS IN (OUT)	<u>6,755</u>	<u>8</u>	<u>(685)</u>				<u>(6,078)</u>	
EXCESS OF (DEFICIENCY IN) REVENUES OVER EXPENSES	<u>6,182</u>	<u>36</u>	<u>(647)</u>	<u>-</u>	<u>-</u>	<u>(329)</u>	<u>(1,771)</u>	<u>3,471</u>
NET ASSETS — Beginning of year	<u>8,670</u>	<u>366</u>	<u>3,081</u>	<u>-</u>	<u>3</u>	<u>1,835</u>	<u>14,989</u>	<u>28,944</u>
NET ASSETS — End of year	<u>\$14,852</u>	<u>\$402</u>	<u>\$2,434</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$1,506</u>	<u>\$13,218</u>	<u>\$32,415</u>

See notes to financial statements.

THE FINANCE AUTHORITY OF NEW ORLEANS

INDIVIDUAL STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS — SINGLE FAMILY PROGRAM FUNDS FOR THE YEAR ENDED MARCH 31, 2008 (In thousands)

	Single Family Program Funds										Taxable GNMA Series A of 2003	Series A of 2006 Single Family	Series A of 2006 Combined
	Series A of 1985	MRCMO of 1991	Refunding Series of 1992	Series A of 1993	Series A of 1994	Series A of 1995	Series A&B of 1996	Series A&B of 1997	Series A&B of 1998	Series A&B of 2000	MRCMO of 2002	Series A of 2003	
REVENUES:													
Interest on mortgage loans and mortgage-backed securities	\$ 26	\$ -	\$ -	\$ 13	\$ 9	\$ 175	\$ 232	\$ 301	\$ 305	\$ 303	\$ 376	\$ 301	\$ 319
Interest on other investments	19	70	4,071	1	3	5	29	40	44	37	92	31	475
Lender participation fees						25	30	24	20	18	18	11	9,710
Unrealized gain (loss) on:						(70)	76	112	123	92	110	108	12
Mortgage-backed securities		114	1,940				18	(2)	72	34	20	(46)	(790)
Other securities							385	475	564	484	616	704	2,054
Other													253
Total revenues	45	184	6,011	14	12	135	385	475	564	484	616	704	15,765
EXPENSES:													
Interest on revenue bonds	18	73	3,178			91	209	185	268	488	346	313	873
Program expenses	12	1	6	7	1	13	2	10	9	10	9	10	12
Amortization of bond issuance and other costs			44				30	21	140	45	42	124	152
Total expenses	30	74	3,228	7	1	104	241	216	417	543	397	447	592
EXCESS OF (DEFICIENCY IN) REVENUES OVER EXPENSES BEFORE OPERATING TRANSFERS	15	110	2,783	7	11	31	144	259	147	(59)	219	(33)	4,105
OPERATING TRANSFERS IN (OUT)					(75)	(1,046)	(928)	(1,054)	(1,291)	(655)	(355)	(617)	4,129
EXCESS OF (DEFICIENCY IN) REVENUES OVER EXPENSES	15	110	2,783	7	(64)	(1,015)	(784)	(795)	(1,144)	(714)	(136)	(650)	873
NET ASSETS — Beginning of year	202	448	3,405	167	299	1,018	615	2,342	1,090	870	1,567	645	578
NET ASSETS — End of year	\$217	\$558	\$6,188	\$174	\$235	\$3	\$1,699	\$1,547	\$54	\$1,56	\$1,431	\$1,673	\$1,771
													14,989
													\$136
													\$845

See notes to financial statements.

THE FINANCE AUTHORITY OF NEW ORLEANS

INDIVIDUAL STATEMENTS OF CASH FLOWS — ALL FUNDS FOR THE YEAR ENDED MARCH 31, 2008 (In thousands)

	Operating Fund	NOHMA Development Corporation	Unrestricted Fund	Xavier University Fund	Pathways to Homeownership New Orleans, Inc.	Willows Housing Restoration Corporation	Single Family Program Funds	Combined
CASH FLOWS FROM OPERATING ACTIVITIES:								
Cash received:								
Mortgage loans and mortgage-backed securities income	\$ -	\$ -	\$ -	\$ 1,309	\$ -	\$ -	\$ 3,406	\$ 4,715
Collection of mortgage loans and mortgage-backed securities		120	340	670			10,997	12,127
Purchase of mortgage-backed securities	(2,111)	(1)	509	(17)		2,111	(16,238)	(16,238)
Advance to Willows Housing Restoration Corporation	(468)					2,289	303	2,615
Other items	(2,579)	119	849	1,962	-	4,400	(1,532)	3,219
Net cash (used in) provided by operating activities								
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Bonds redeemed				(670)			(10,723)	(11,393)
Interest paid on revenue bonds	6,755	8	(685)	(1,663)			(11,562)	(13,225)
Interfund activities — transfers							(6,078)	
Net cash provided by (used in) noncapital financing activities								
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Interest paid								
Acquisition of capital assets						(459)		(459)
						(3,942)		(3,942)
Net cash used in capital and related financing activities								
CASH FLOWS FROM INVESTING ACTIVITIES:								
(Purchases) maturities of investments — net	(62)		(179)				24,674	24,433
Interest received on investments	36		36				6,413	6,485
Net cash (used in) provided by investing activities	(26)		(143)				31,087	30,918
NET INCREASE (DECREASE) IN CASH	4,150	127	21	(371)	-	(1)	1,192	5,118
CASH — Beginning of year	715	40	103	382	53	170	1,695	3,158
CASH — End of year	\$ 4,865	\$ 167	\$ 124	\$ 11	\$ 53	\$ 169	\$ 2,887	\$ 8,276

(Continued)

THE FINANCE AUTHORITY OF NEW ORLEANS

INDIVIDUAL STATEMENTS OF CASH FLOWS — ALL FUNDS FOR THE YEAR ENDED MARCH 31, 2008 (In thousands)

	Operating Fund	NOHMA Development Corporation	Unrestricted Fund	Xavier University Fund	Pathways to Homeownership New Orleans, Inc.	Willows Housing Restoration Corporation	Single Family Program Funds	Combined
RECONCILIATION OF (DEFICIENCY) EXCESS OR REVENUES OVER EXPENSES BEFORE OPERATING TRANSFERS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:								
(Deficiency) excess of revenues over expenses before operating transfers	\$ (743)	\$ 28	\$ 38	\$ -	\$ -	\$ 241	\$ 4,398	\$ 3,962
Adjustments to reconcile (deficiency) excess of revenues over expenses before operating transfers to net cash (used in) provided by operating activities:								
Unrealized loss on securities							(2,325)	(2,325)
Amortization of bond issuance and other costs				1,662			592	592
Interest on revenue bonds			(29)				11,562	13,224
Interest on other investments	(39)					5,034	(9,710)	(9,778)
Advances to Willows Housing Restoration Corporation	(5,034)							
Advance from unrestricted fund								
Funds received from insurance escrow account								
Other — net	131	91	840	(370)		2,033	(968)	1,757
Collections of mortgage loans and GNMA certificates				670			10,997	11,667
Purchase of mortgage-backed securities							(16,238)	(16,238)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (5,685)</u>	<u>\$ 119</u>	<u>\$ 849</u>	<u>\$ 1,962</u>	<u>\$ -</u>	<u>\$ 7,308</u>	<u>\$ (1,692)</u>	<u>\$ 2,861</u>

See notes to financial statements.

(Continued)

THE FINANCE AUTHORITY OF NEW ORLEANS

INDIVIDUAL STATEMENTS OF CASH FLOWS — SINGLE FAMILY PROGRAM FUNDS FOR THE YEAR ENDED MARCH 31, 2008 (In thousands)

	Single Family Program Funds															Combined	
	Series A of 1985	MRCMO of 1991	Refunding Series of 1992	Series A of 1993	Series A of 1994	Series A of 1995	Series A&B of 1996	Series A&B of 1997	Series A&B of 1998	Series A&B of 1999	Series A&B&E2 of 2000	Series A&B of 2001	MRCMO of 2002	Series A of 2003	GNMA Series A of 2003	2008 Single Family	Series A of 2006
CASH FLOWS FROM OPERATING ACTIVITIES:																	
Cash received:																	
Mortgage loans and mortgage-backed securities income	\$ 23	\$ -	\$ -	\$ 13	\$ 9	\$ 191	\$ 235	\$ 304	\$ 309	\$ 306	\$ 391	\$ 304	\$ 23	\$ 308	\$ 240	\$ -	\$ 750
Collection of mortgage loans and mortgage-backed securities	61			56	21	3,035	602	874	996	628	877	872	123	1,203	957		692
Purchase of mortgage-backed securities	(14)	188	(500)	(7)	(1)	(85)	64	59	152	77	104	79	3	368	121	(160)	(16,238)
Other items																	(145)
Net cash provided by (used in) operating activities	70	188	(500)	62	29	3,141	901	1,237	1,457	1,011	1,372	1,255	149	1,879	1,318	(160)	(14,941)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:																	
Bonds redeemed	(8)		(385)			(2,475)	(485)	(630)	(735)	(638)	(880)	(1,272)	(140)	(1,755)	(1,000)		(320)
Interest paid on revenue bonds	(83)	(73)	(3,178)			(140)	(226)	(206)	(288)	(949)	(406)	(376)	(13)	(336)	(158)	(4,251)	(879)
Interfund activities						(1,046)	(928)	(1,054)	(1,291)	(655)	(355)	(617)	(1)	(227)			177
Net cash used in noncapital financing activities	(91)	(73)	(3,563)		(75)	(3,661)	(1,639)	(1,890)	(2,314)	(2,242)	(1,641)	(2,265)	(160)	(2,318)	(1,158)	(4,251)	(1,022)
CASH FLOWS FROM INVESTING ACTIVITIES:																	
Maturities (purchases) of investments — net	15	(182)	3,517		159	906	693	605	806	1,170	183	955		401			15,846
Interest received on investments	19	68	554	1	6	15	44	52	65	61	88	56		36	46	4,969	332
Net cash provided by (used in) investing activities	34	(114)	4,071	1	165	921	737	657	872	1,231	271	1,011	-	437	46	4,969	16,178
NET (DECREASE) INCREASE IN CASH	13	1	8	63	119	1	(1)	4	15	-	2	1	(11)	(2)	206	558	215
CASH — Beginning of year		23	27	9		2	3	1	305	6	49	21	21	5	1,058	165	
CASH — End of year	\$ 13	\$ 24	\$ 35	\$ 72	\$ 119	\$ 3	\$ 2	\$ 5	\$ 320	\$ 6	\$ 51	\$ 22	\$ 10	\$ 3	\$ 1,264	\$ 723	\$ 215

(Continued)

**INDIVIDUAL STATEMENTS OF CASH FLOWS — SINGLE FAMILY PROGRAM FUNDS
FOR THE YEAR ENDED MARCH 31, 2008**
(In thousands)

See notes to financial statements.

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THE FINANCE AUTHORITY OF NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MARCH 31, 2008

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — The Finance Authority of New Orleans (the “Authority”) is a public trust created by a trust indenture dated October 11, 1978, pursuant to Chapter 2A of Title 9 of the Louisiana Revised Statutes of 1950, as amended. The Authority was created to provide funds, through the issuance of bonds, to promote the development of residential housing (single or multi-family dwellings) in the City of New Orleans, LA, for persons of low or moderate income. In accordance with the respective indentures, the proceeds from the single family bond issues are used to acquire mortgage notes and mortgage-backed securities.

The Authority is managed by a board of trustees appointed by the Council of the City of New Orleans. J.P. Morgan Trust Company, N.A. served as the trustee of its single family program funds until October 2006 when The Bank of New York Trust Company, N.A. took over that responsibility. The Authority’s staff serves as the mortgage loan administrator of the various whole loan portfolios. Various local financial institutions originate and service the Authority’s single family program mortgage loans.

NOHMA Development Corporation — NOHMA Development Corporation was formed in the fiscal year 1994. The Corporation’s mission is to provide increased home ownership among low-income families via a joint operating agreement with the Authority through a variety of services.

Xavier University Fund — As discussed in Note 2, the Xavier University Fund was formed in 2004 to provide funds to Xavier University to complete certain capital projects and repay certain debts of the University.

Pathways to Homeownership New Orleans, Inc. — Pathways to Homeownership New Orleans, Inc. was formed on March 31, 2005, and was funded in the year ended March 31, 2006. The Corporation’s mission is to provide increased homeownership among low income families through a variety of services. *There have been no activities other than the initial funding and repayments of certain of that funding.* Subsequent to year end during fiscal 2009, the Authority received approval from the State Bond Commission to issue \$100,000,000 of Single Family Mortgage Revenue Bonds (Pathway to Homeownership).

Willows Housing Restoration Corporation — As discussed in Note 3, the Willows Housing Restoration Corporation was formed in 2004 in order to acquire and rehabilitate a local apartment complex.

Basis of Presentation — Fund Accounting — The proprietary funds are used to account for the Authority's ongoing operations and activities which are similar to those in the private sector. Proprietary funds are accounted for using a flow of economic resource measurement focus under which all assets and all liabilities associated with the operation of these funds are included in the balance sheet. The operating statements present increases (revenues) and decreases (expenses) in total net assets. The Authority maintains various proprietary fund types as detailed in the individual financial statements. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting for Financial Reporting for Propriety Funds and Other Governmental Entities That Use Propriety Fund Accounting*, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), excluding those issued after November 30, 1999.

Basis of Reporting — The Authority adopted GASB Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*, and also adopted the required portions of GASB Statements No. 37 and 38, which modified the disclosure requirements of GASB No. 34. GASB No. 34 establishes standards for external financial reporting for all state and local governmental entities.

It requires the classification of net assets into three components — invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, less related debt* — This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* — This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* — This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, less related debt."

Investments — In accordance with GASB Statement No. 31, most investments are recorded at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties and has generally been based upon quoted values. This method of accounting causes fluctuations in reported investment values based on fluctuations in the investment market. Fluctuations in the fair value of investments are recorded as income or expense in the statements of revenues, expenses and changes in net assets.

The Authority applies the provisions of GASB Statement No. 31 to U.S. Government and agency and mortgage-backed securities. Following is a summary of the unrealized gains (losses) as reflected in the accompanying financial statements (in thousands):

	Unrealized Gain (Loss)		
	Balance April 1, 2007	Change During the Year Ended March 31, 2008	Balance March 31, 2008
Unrestricted	\$ (3)	\$ -	\$ (3)
MRCMO of 1991	(3)	225	222
Refunding Series of 1992	6,110	1,940	8,050
Series A of 1995	70	(70)	
Series A&B of 1996	60	76	136
Series A,B&C of 1997	39	112	151
Series A&B of 1998	(21)	123	102
Series A&B of 1999	69	92	161
Series A,B1&B2 of 2000	95	110	205
Series A&B of 2001	(19)	108	89
MRCMO of 2002	9	5	14
Series A of 2003	(398)	391	(7)
Taxable GNMA Series A of 2003	236	3	239
Series A of 2006	(113)	(790)	(903)
	<u>\$ 6,131</u>	<u>\$ 2,325</u>	<u>\$ 8,456</u>

The sale of these investments by the Authority is subject to certain restrictions as described in the individual bond indentures.

Restricted Grants — In connection with the 1996 and certain subsequent programs, the Authority is receiving government grants which compensate the Authority for issuing loans, through mortgage-backed securities, to certain lower income borrowers at rates lower than the current market. A portion of these grants are considered the equivalent of "interest rate buy downs." The balances attributable to such lending arrangements are recorded as restricted grants. As principal payments are made by the borrower, such payments are segregated to be recycled in a similar program or to be repaid to the government.

Capital Assets — Capital assets are recorded at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated lives (buildings — 40 years; equipment — 5 to 10 years) of the related assets. Interest costs associated with construction in progress is capitalized as a part of the cost of the property. The Willows capitalized approximately \$548,000 of such costs during the year ended March 31, 2008.

Bond Issuance Costs — Bond issuance costs, including underwriters' discount on bonds sold, are being amortized ratably over the lives of the bonds based upon the principal amounts outstanding. The remaining unamortized balances of these costs are reflected on the accompanying balance sheets as "bond issuance costs and other deferred expenses."

Down Payment Assistance Programs — The cost of down payment programs are deferred and amortized over the lives of the related assets. The remaining unamortized balances are reflected in the accompanying balance sheets as “bond issuance costs and other deferred expenses.”

Deferred Revenue — Single family program master servicer and lender participation fees are deferred and recognized as revenue over the lives of the related mortgage-backed securities.

Statement of Cash Flows — For purposes of the Statements of Cash Flows, the Authority considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Combined Totals — All of the various bond issues are required to have specific funds and accounts established to account for transactions. Therefore, each bond issue column contains the total amounts for the various funds and accounts required, and the combined total column contains the totals of all funds of the Authority, including the Unrestricted Fund and certain other funds, which may be utilized by the Authority for any public purpose authorized by the Authority's Indenture. Since the use of assets and accounts of each of the bond issues is restricted by the related bond resolutions, the totaling of the funds and accounts is for convenience only and does not indicate that the combined assets are available in any manner other than as provided by the various trust indentures and bond resolutions.

2. XAVIER UNIVERSITY BONDS

The Authority issued \$35,000,000 of bonds, less a \$200,000 discount, in the year ended March 31, 2004, in order to provide funds to Xavier University to complete certain capital projects and repay certain debts of the University. The bonds remaining at March 31, 2008, consists of (1) \$5,580,000 of serial bonds due from fiscal 2008 to 2014 and bear interest at 4.35% to 4.55%, (2) \$6,415,000 of term bonds which mature on June 1, 2020, and bear interest at 5%, (3) \$8,660,000 of term bonds which mature on June 1, 2026, and bear interest at 5.30%, and (4) \$11,810,000 of term bonds which mature on June 1, 2032, and bear interest at 5.30%. Principal payments under the serial bonds range from \$700,000 to \$830,000 in each of the next five years. The term bonds require sinking fund redemptions to be made on June 1 of each year in amounts ranging from \$945,000 to \$2,230,000 beginning June 1, 2015 through June 1, 2032. The bonds are secured by a mortgage loan from Xavier University which is collateralized by a mortgage on certain of its property and a pledge of all of its current and future revenues. The note is due in installments and bears interest with terms which are sufficient to pay all amounts when due under the bonds. Xavier University also agreed to reimburse the Authority for all of its expenses under this bond issue.

3. WILLOWS HOUSING RESTORATION CORPORATION

During 2004, the Authority formed Willows Housing Restoration Corporation (“Willows”). Willows acquired a 260-unit apartment complex from a national not-for-profit organization. In connection with this purchase and its renovation, the Willows borrowed certain monies from a bank. The unpaid balance was \$7,919,000 at March 31, 2008. The note bears interest at the bank's prime rate (5.25% at March 31, 2008) and interest only is payable on a monthly basis. The unpaid balance is due December 2009. The

note is collateralized by a mortgage on the complex and a guarantee by the Authority. The Willows also has an \$11,500,000 commitment with Hancock Bank for permanent financing of the 263-unit apartment building which expires August 1, 2009. See Note 11 regarding the impact of Hurricane Katrina on the Willows. Through March 31, 2008, the Operating Fund advanced the Willows approximately \$9,954,000, primarily related to the Willow's Hurricane Katrina repair-related costs and to fund continued operations. This amount is reflected as "due to operating fund" on the balance sheet of the Willows.

4. CASH AND INVESTMENTS

In compliance with state laws, those deposits not covered by depository insurance are secured by bank owned securities specifically pledged to the Authority and held in joint custody by an independent custodian bank. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As a result of the pledging of additional securities by custodial banks in the Authority's name, the Authority does not have any custodial credit risk with respect to cash deposits at March 31, 2008. The Authority recognizes all purchases of investments with a maturity of three months or less, except for short term repurchase agreements, as cash equivalents.

Credit Risk — Louisiana state statutes authorize the Authority to invest in the following types of investment securities:

1. Fully-collateralized certificates of deposit issued by qualified commercial banks, federal credit unions and savings and loan associations located within the State of Louisiana
2. Direct obligations of the U.S. government, including such instruments as treasury bills, treasury notes and treasury bonds and obligations of U.S. government agencies that are deliverable on the Federal Reserve Systems
3. Repurchase agreements in U.S. government securities made with the 36 primary dealers that report to and are regulated by the Federal Reserve Bank of New York
4. Guaranteed investment contracts with companies having good credit ratings.

The Authority has no investment policy that would further limit its investment choices beyond the restrictions imposed by the State. At March 31, 2008, the Authority's investments in GNMA and FNMA are at least rated AAA by Standard and Poor's or Aaa by Moody's Investors Services. The Authority has no limit on the amount it may invest in any one issuer so long as the State's restrictions are followed.

Interest Rate Risk — As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's policies generally restrict investments to terms that are no longer than to the terms of the related bonds.

The Authority's programs have investments in guaranteed investment contracts, mortgage backed securities and other investments which have maturities which approximate the terms of the related debt. Therefore the Authority balances its interest rate risk against the related debt. By using this method, the Authority believes that it will mitigate its interest rate risk.

The Authority's unrestricted fund has investments in U.S. agency securities with a weighted average maturity of approximately five years and in mortgage backed securities with a weighted average maturity of approximately 15 years.

Custodial Risk — For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At March 31, 2008, the Authority is not exposed to custodial credit risk with respect to its investments because all investments are either insured by federal depository insurance, registered in the name of the Authority or collateralized by other investments pledged in the name of the Authority.

At March 31, 2008, the Authority's investments consisted of:

Operating Fund — The investments held in the Operating Fund at March 31, 2008, totaling \$166,000 consisted of U.S. agency obligations maturing in May through September 2008.

Unrestricted Fund — The investments held in the Unrestricted Fund at March 31, 2008, totaling \$1,068,000, consisted of U.S. agency obligations totaling \$898,000 yielding interest at approximately 2.09%, maturing June 2008 and \$170,000 of mortgage backed securities bearing interest from 6.0% to 7.5% and maturing through the year 2032 (in thousands).

Single Family	Carrying Amount
Series A of 1985 — Investment agreement with Bank One, Dallas, Texas, 8%–11%, due 9-15-16	\$ 126
MRCMO of 1991:	
Investment agreement with Berkshire Hathaway Inc., 6–6.7%, due 9-10-14	131
Federal National Mortgage Association, 0% debentures due 7-15-14	<u>1,235</u>
Total	1,366
Refunding Series of 1992 — Resolution Trust Corp. 0% coupon bonds due from 7-15-06 to 1-15-11	56,132
Series A&B of 1996 — Investment agreement with Societe General Corp., 6.6125%, due 12-1-29	410
Series AB&C of 1997 — Investment agreement with CDC, 6.13%, due 12-1-30	638
Series A&B of 1998 — Investment agreement with Transamerica, 4.63%, due 12-1-31	535
Series A&B of 1999 — Investment agreement with AIG Funding Corporation, 6.23%, due 5-31-32	332
Series A,B1&B2 of 2000 — Investment agreement with Bayerische Landesbank, 6.4% due 12-1-32	1,383
Series A&B of 2001 — Investment agreement with Bayerische Landesbank, 2.53% due 12-15-15	483
Series A of 2003 — Investment agreement with Aegon, 4.01% due 12-1-34	791
Single Family Bonds of 2006 — Investment agreement with Transamerica Life Insurance Company, variable rate due 4-01-10	100,000
Series A of 2006 — Investment agreement with Bayerische Landesbank, 5.48% due 9-1-07	<u>2,247</u>
Total single family investments	<u>\$ 164,443</u>

5. MORTGAGE-BACKED SECURITIES

Several of the single-family bond issues were structured to provide funds to purchase 30 year fixed rate mortgages which would then be immediately sold and assigned to a master servicer and exchanged for mortgage-backed securities. The securities are backed by the mortgage loans and guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (GNMA) or the Federal National Mortgage Association (FNMA). Interest on the GNMA and FNMA securities is stated at 1/2% and 5/8%, respectively, less than the interest rate on the respective mortgage loans with final maturity dates ranging from 2018 through 2035.

The individual single family issues structured in this manner and the values of the mortgage-backed securities held by each fund as of March 31, 2008, is as follows (in thousands):

Single Family Program Fund	Interest Rate	Carrying Amount of Securities
Series A&B of 1996	5.0-6.75%	\$ 3,671
Series A,B&C of 1997	4.8-6.6%	4,867
Series A&B of 1998	4.4-6.29%	5,110
Series A&B of 1999	5.1-7.1%	4,868
Series A,B1&B2 of 2000	5.2-7.3%	5,964
Series A&B of 2001	4.4%	5,083
MRCMO of 2002	6.0-7.5%	289
Series A of 2003	3.9-5.4%	5,546
Taxable GNMA Series A of 2003	7.7-8.5%	2,640
Series A of 2006	5.1-5.4%	<u>22,494</u>
Total		<u>\$ 60,532</u>

In addition, the Unrestricted Fund had mortgage-backed securities totaling \$170,000 at March 31, 2008. These securities have rates of 4.5% to 7.5%.

6. MORTGAGE LOANS RECEIVABLE

Mortgage loans have scheduled maturities of 30 years and are collateralized by first mortgages on the related property. The loans are serviced by certain designated loan servicers, who receive compensation for services rendered. The larger groups of loans have stated interest rates as follows:

	Interest Rate
Unrestricted Fund	8.25 %
Series A of 1985	10.75
Series A of 1993	8.95
Series A of 1994	10.95

The mortgage loans due from Xavier University are described in Note 2.

During the year ended March 31, 2002, certain of the loans held by the Unrestricted Fund were transferred from the MRCMO Issue of 1991 at a discount. The remaining unamortized discount amounted to approximately \$39,000 at March 31, 2008, and is being accreted into interest income on the interest method.

In addition to the customary insurance required of the mortgagors, the mortgage loans, except those held by the Unrestricted Fund, are insured by the Authority under special hazard policies and mortgage pool insurance policies. The pool insurance policies provide coverage on the full amount of loss incurred as a result of default in payments by a mortgagor, subject to certain limitations and aggregate loss limits. Properties acquired due to foreclosure, together with related interest earnings guaranteed by insurance companies, are not significant and are included in other loans in the accompanying balance sheets.

The Authority has established an allowance for doubtful receivables for the NOHMA Development Corporation and the Unrestricted Fund's loans aggregating \$105,000 as of March 31, 2008. The determination of the allowance was based on, among other things, an analysis of the unpaid balance of loans in default as compared to the estimated value of the related real estate and anticipated costs of disposal.

The Unrestricted Fund and NOHMA Development Corporation have an aggregate of approximately \$329,000 of PRIDE loans which provide the borrower with funds to pay their closing costs and are subordinate to the first mortgages. The loans generally do not accrue interest if paid within ten years. The Authority has provided an allowance, included in the \$105,000 referred to in the preceding paragraph, on these loans based upon its review of activity to date and its estimate of the amount necessary to absorb existing losses.

7. CAPITAL ASSETS

Changes in capital assets are as follows (in thousands):

	Balance April 1, 2007	Additions	Reductions	Balance March 31, 2008
Cost:				
Willows:				
Land	\$ 800	\$ -	\$ -	\$ 800
Buildings and equipment	12,555	3,943		16,498
Other funds:				
Land	152			152
Building	104			104
Equipment	205			205
Total cost	<u>13,816</u>	<u>3,943</u>	<u>-</u>	<u>17,759</u>
Accumulated depreciation:				
Willows — buildings and equipment	158	461		619
Other funds:				
Building	54	3		57
Equipment	199	2		201
Total accumulated depreciation	<u>411</u>	<u>466</u>	<u>-</u>	<u>877</u>
Capital assets — net	<u>\$ 13,405</u>	<u>\$ 3,477</u>	<u>\$ -</u>	<u>\$ 16,882</u>

As more fully described in Note 11, capital assets were reduced by \$4,260,000 during fiscal 2006 as a result of damages to the Willows development caused by Hurricane Katrina.

8. BONDS PAYABLE

The outstanding bonds payable and transactions of the Authority as of and for the year ended March 31, 2008, is as follows (in thousands):

Single Family	Issued	Interest Rate	Final Maturity Date	Outstanding March 31, 2007	Bonds Issued	Bonds Retired	Outstanding March 31, 2008
1985 Series A Issue — Compound interest term bonds	\$ 1,434	11.0 %	9-15-16	\$ 16	\$ -	\$ 8	\$ 8
Total	\$ 1,434			16	-	8	8
1991 MRCMO — A-5	\$ 1,500	9.145	9-15-14	1,500			1,500
Total	\$ 1,500			1,500	-	-	1,500
Refunding Series of 1992 — Term bonds	\$ 51,445	6.25	1-15-11	49,985		385	49,600
Total	\$ 51,445			49,985	-	385	49,600
1995 Series A Issue:							
Serial bonds	\$ 5,935	4.2-5.5	12-1-10	190		190	-
Term bonds	2,415	6.2	6-1-15	340		340	-
Term bonds	5,000	6.25	6-1-22	705		705	-
Term bonds	8,750	6.3	6-1-28	1,240		1,240	-
Total	\$ 22,100			2,475	-	2,475	-
1996 Series A&B Issue:							
Serial bonds	\$ 6,565	4.33-5.7	12-1-10	55		25	30
Term bonds	3,900	6.0	12-1-31	860		100	760
Term bonds	9,860	6.1	12-1-29	2,175		255	1,920
Term bonds	1,595	5.75	12-1-16	350		40	310
Term bonds	2,505	5.9	12-1-26	555		65	490
Total	\$ 24,425			3,995	-	485	3,510

(Continued)

Single Family	Issued	Interest Rate	Final Maturity Date	Outstanding March 31, 2007	Bonds Issued	Bonds Retired	Outstanding March 31, 2008
1997 A, B, & C Issue:							
Serial bonds	\$ 4,134	4.2%-5%	12-1-08	\$ 30	\$ -	\$ 20	\$ 10
Term bonds	3,800	5.75	12-1-23	890		140	750
Term bonds	9,980	5.85	12-1-30	2,330		370	1,960
Term bonds	2,755	5.45	12-1-16	645		100	545
Term bonds	8,330	5.13	Redeemed				-
Tender bonds	19,775	3.92	Redeemed				-
Total	<u>\$ 48,774</u>			<u>3,895</u>	<u>-</u>	<u>630</u>	<u>3,265</u>
1998 Series A&B Issue:							
Serial bonds	\$ 4,605	3.8-4.8	12-1-12	55		15	40
Term bonds	960	4.9	12-1-16	335		40	295
Term bonds	6,570	5.2	12-1-21	2,310		285	2,025
Term bonds	6,470	5.25	6-1-31	2,275		280	1,995
Term bonds	2,670	5.125	12-1-31	935		115	820
Total	<u>\$ 21,275</u>			<u>5,910</u>	<u>-</u>	<u>735</u>	<u>5,175</u>
1999 A&B Series:							
Serial bonds	\$ 5,455	4.6-5.5	12-1-09	165		75	90
Term bonds	4,005	5.9	12-1-13	265		65	200
Term bonds	2,365	6.0	12-1-18	885		215	670
Term bonds	3,430	5.5	Redeemed				
Term bonds	6,535	6.15	12-1-22	2,440		280	2,160
Term bonds	5,465	5.5	Redeemed				
Compound interest term bonds	1,359	6.57	12-1-31	493		3	490
Compound interest term bonds	1,386	6.57	6-1-32	527			527
Total	<u>\$ 30,000</u>			<u>4,775</u>	<u>-</u>	<u>638</u>	<u>4,137</u>
2000 A,B-1&B-2 Series							
Serial bonds	\$ 5,775	4.75-5.55	Redeemed				
Term bonds	23,000	5.55	12-1-32	6,260		820	5,440
Compound interest:							
Term bonds	1,224	6.1	12-1-31	60		60	-
Tender bonds	10,000	4.45	Redeemed				-
Total	<u>\$ 39,999</u>			<u>6,320</u>	<u>-</u>	<u>880</u>	<u>5,440</u>
2001 A&B Series:							
Serial bonds	\$ 4,810	3.10-5.30%	12-1-12				
Term bonds	1,805	5.25	6-1-20	845		170	675
Term bonds	1,825	5.3	6-1-23	850		170	680
Term bonds	4,180	5.35	12-1-28	1,805		365	1,440
Term bonds	5,000	5.0	Redeemed				
Term bonds	5,820	5.375	6-1-34	2,895		560	2,335
Compound interest serial bonds	1,304	5-5.30	Redeemed				-
Compound interest term bonds	255	5.75	12-1-32	117		7	110
Tender bonds	15,060	2.3	Redeemed				-
Total	<u>\$ 40,059</u>			<u>6,512</u>	<u>-</u>	<u>1,272</u>	<u>5,240</u>

(Continued)

Single Family	Issued	Interest Rate	Final Maturity Date	Outstanding March 31, 2007	Bonds Issued	Bonds Retired	Outstanding March 31, 2008
2002 MRCMO:							
Term bonds	\$ 5,785	4.27 %	Redeemed	\$ -	\$ -	\$ -	\$ -
Term bonds	<u>3,100</u>	6.53	12-1-16	<u>265</u>		<u>140</u>	<u>125</u>
Total	<u>\$ 8,885</u>			<u>265</u>	<u>-</u>	<u>140</u>	<u>125</u>
2003 A Series:							
Serial bonds	\$ 1,825	1.75-3.98	12-1-12	500		245	255
Serial bonds	1,295	3.75-4.05	12-1-16	450		175	275
Term bonds	3,045	4.75	12-1-23	1,060		420	640
Term bonds	8,400	5.0	12-1-33	3,355		40	3,315
Term bonds	<u>6,435</u>	4.95	12-1-34	<u>2,235</u>		<u>875</u>	<u>1,360</u>
Total	<u>\$ 21,000</u>			<u>7,600</u>	<u>-</u>	<u>1,755</u>	<u>5,845</u>
Taxable GNMA Series A of 2003	<u>\$ 19,175</u>	4.82	11-15-21	<u>3,300</u>		<u>1,000</u>	<u>2,300</u>
2006 Single Family	<u>\$100,000</u>	Variable	12-1-09	<u>100,000</u>			<u>100,000</u>
2006A Series	<u>\$ 24,505</u>	4.7-5.2	6-1-38	<u>24,505</u>		<u>320</u>	<u>24,185</u>
				<u>221,053</u>	<u>-</u>	<u>(10,723)</u>	<u>210,330</u>
Unamortized discount on 1991 MRCMO				(741)		(73)	(668)
Unamortized discount on Refunding Series of 1992				(208)		(60)	(148)
Unamortized premium on 2003 Series A bonds				204		5	199
Unamortized premium on 2006 Series A bonds				<u>485</u>		<u>5</u>	<u>480</u>
				<u>(260)</u>	<u>-</u>	<u>(123)</u>	<u>(137)</u>
Total				<u>\$220,793</u>	<u>\$ -</u>	<u>\$(10,846)</u>	<u>\$210,193</u>

(Concluded)

Additional information pertaining to the foregoing bonds is as follows:

Single Family — All the single family bonds issued are secured by and payable solely from bond proceeds, revenues and other amounts derived by the Authority from the mortgage loans and other assets acquired with the bond proceeds and from certain reserve funds.

1985 Series A Issue — The compound interest term bonds bear interest at the rate of 11.0% per annum, payable at maturity or upon redemption. Compounded amounts corresponding to the principal amounts ranging from \$52,000 to \$121,000 (plus interest) are required as sinking fund redemptions on March 15 and September 15 of each year from the year 2008 through September 15, 2016. The bonds are also subject to mandatory redemption under certain conditions. These bonds were redeemed in the year ended March 31, 2007.

MRCMO of 1991 — These obligations are secured by and payable solely from bond proceeds and investment earnings thereon. Interest on these obligations is taxable to the holders of the obligations. The obligations are segregated into five bond classes, which are payable sequentially as the related mortgage loans pay down. *Bond classes A-1, A-2, A-3 and A-4 were retired in prior years. Class A-5 represents zero coupon bonds upon which interest is payable at maturity; the related obligations were priced to yield approximately 9.15%.*

Refunding Series of 1992 — As a result of prior year restructuring transactions, these bonds are secured by a portfolio of U. S. Government Agency securities, the maturity dates and amounts of which coincide with debt service requirements on the bonds. The serial bonds were fully retired in the year ended March 31, 2007.

The term bonds require have an unpaid balance of \$49,600,000 due January 15, 2011. These bonds are not subject to redemption prior to their stated maturity.

1993 Series A Issue — During 2007, these term bonds were fully retired.

1995 Series A Issue — During 1995, the Authority issued \$29,000,000 of Single Family Mortgage Revenue Bonds Series 1995A. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

The serial bonds mature annually and are payable December 1 of each year in amounts ranging from \$300,000 to \$535,000 through December 1, 2010. During 2008, the serial bonds were fully retired.

The term bonds require sinking fund redemptions to be made on June 1 and December 1 of each year from the year 2009 through 2028 in amounts ranging from \$115,000 to \$1,130,000. These bonds are subject to redemption at the option of the issuer at a redemption price of 100% of principal plus accrued interest. These bonds are also subject to mandatory redemption under certain conditions. During 2008, the term bonds were fully retired.

1996 Series A&B Issue — During 1996, the Authority issued \$29,895,000 of Single Family Mortgage Revenue Bonds Series 1996 A&B. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

The serial bonds mature annually and are payable December 1 of each year in amounts ranging from \$410,000 to \$720,000 through December 1, 2010.

The term bonds require sinking fund redemptions to be made on June 1 and December 1 of each year from the year 2011 through 2029 in amounts ranging from \$380,000 to \$975,000. These bonds are subject to redemption at the option of the issuer on or after December 1, 2006, at redemption prices ranging from 102% to 100% of principal plus accrued interest. These bonds are also subject to mandatory redemption under certain conditions.

1997 Series AB&C Issue — During 1997, the Authority issued \$48,774,000 of Single Family Mortgage Revenue Bonds 1997 Series AB&C. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

The serial bonds mature annually and are payable December 1 of each year in amounts ranging from \$330,000 to \$450,000 through December 1, 2008.

The term bonds require sinking fund redemptions to be made on June 1 and December 1 of each year from the year 2009 through 2030 in amounts ranging from \$310,000 to \$1,060,000. These bonds are subject to redemption at the option of the issuer on or after December 1, 2007, at a redemption price of 102% to 100% of principal plus accrued interest. These bonds are also subject to mandatory redemption under certain conditions.

1998 Series A&B Issue — During 1998, the Authority issued \$25,587,000 of Single Family Mortgage Revenue Bonds 1998 Series A&B and acquired \$4,688,000 of Single Family Mortgage Revenue Bonds from the 1997 Refunding Series for a grand total of \$30,275,000. \$9,000,000 of these bond series have been fully redeemed. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

The serial bonds mature annually and are payable December 1 of each year in amounts ranging from \$285,000 to \$400,000 through December 1, 2012.

The term bonds require sinking fund redemptions to be made beginning December 1, 2011, and then June 1 and December 1 of each year from the year 2012 through 2031 in amounts ranging from \$175,000 to \$905,000. These bonds are subject to redemption at the option of the issuer on or after December 1, 2008, at a redemption price of 101% to 100% of principal plus accrued interest. These bonds are also subject to mandatory redemption under certain conditions.

1999 Series A & B Issue — During 1999, the Authority issued \$30,000,000 of Single Family Mortgage Revenue Bonds 1999 Series A&B. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

The serial bonds mature annually and are payable December 1 of each year in amounts ranging from \$360,000 to \$855,000 through December 1, 2009.

The term bonds require sinking fund redemptions to be made beginning December 1, 2011, and then June 1 and December 1 of each year from the year 2013 through 2032 in amounts ranging from \$165,000 to \$1,095,000. These bonds are subject to redemption at the option of the issuer on or after December 1, 2009, at a redemption price of 101% to 100% of principal plus accrued interest. These bonds are also subject to mandatory redemption under certain conditions.

The compound interest term bonds are due at their stated maturity including interest from date of issuance.

2000 Series A, B1 & B2 Issue — During 2000, the Authority issued \$39,999,999 of Single Family Mortgage Revenue Bonds 2000 Series A, B1&B2. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

The serial bonds were retired in 2005. The term bonds require sinking fund redemptions to be made beginning December 15, 2015, and then June 1 and December 1 of each year from the year 2016 through 2032 in amounts ranging from \$430,000 to \$1,110,000. These bonds are subject to redemption at the option of the issuer on or after December 1, 2009, at a redemption price of 101% to 100% of principal plus accrued interest. These bonds are also subject to mandatory redemption under certain conditions.

The compound interest term bonds are due at their stated maturity including interest from date of issuance.

The tender bonds had a stated maturity of June 1, 2034, but were remarketed in April 2001.

2001 Series A&B Issue — During 2001, the Authority issued \$40,059,000 of Single Family Mortgage Revenue Bonds 2001 Series A&B. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

The serial bonds mature annually and are payable December 1 of each year in amounts ranging from \$455,000 to \$635,000 through December 1, 2012.

The term bonds require sinking fund redemptions to be made beginning June 1, 2017, and then December 1 and June 1 of each year from the year 2017 through 2034 in amounts ranging from \$680,000 to \$2,320,000. These bonds are subject to redemption at the option of the issuer on or after December 1, 2010, at a redemption price of 100% of principal plus accrued interest. These bonds are also subject to mandatory redemption under certain conditions.

The compound interest serial bonds mature annually in amounts ranging from \$614,000 to \$650,000 beginning June 1, 2013 through December 1, 2016.

The compound interest term bonds are due at their stated maturity of December 1, 2032, including interest from date of issuance.

The tender bonds had a stated maturity of June 1, 2035, but were remarketed in 2002. These bonds were fully retired in prior years.

MRCMO of 2002 — During 2002, the Authority issued \$8,885,000 of Single Family Mortgage Revenue Bonds 2002 MRCMO. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

These bonds are subject to redemption at the option of the issuer at a redemption price of 100% of principal plus accrued interest whenever the amount of the original bonds issued has been reduced by 80%. These bonds are also subject to mandatory redemption under certain conditions.

2002 Series C — The Authority had \$21,557,000 of bonds outstanding at March 31, 2006, with an interest rate which fluctuated based on an index. These bonds were redeemed in the year ended March 31, 2007.

2003 Series A Issue — During 2004, the Authority issued \$21,000,000 of Single Family Mortgage Revenue Bonds 2003 Series A. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

The serial bonds mature annually and are payable December 1 of each year in amounts ranging from \$165,000 to \$350,000 beginning December 1, 2005 through December 1, 2016.

The term bonds require sinking fund redemptions to be made beginning June 1, 2005, and then December 1 and June 1 of each year from the year 2005 through 2034 in amounts ranging from \$40,000 to \$860,000. These bonds are subject to redemption at the option of the issuer on or after December 1, 2010 at a redemption price of 100% of principal plus accrued interest. These bonds are also subject to mandatory redemption under certain conditions.

2003 Series A Taxable GNMA Issue — During 2004, the Authority issued \$19,175,000 of Taxable GNMA 2003A Bonds. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA.

The interest rates on the bonds vary monthly and are set using an auction rate system. At March 31, 2008, the rate was approximately 3.576%. In connection with this issue the Authority entered into an interest rate swap agreement with Citibank, N.A., which effectively sets the rate at a fixed amount of 4.815%. The notional amount of the swap agreement decreases monthly based upon an assumed prepayment speed on the GNMA securities intended to approximate 100% of the prepayment model. The Authority has the option to reduce, without penalty, the notional amount of the swap based upon the actual prepayment speed of the GNMA securities. During March 2008, the swap agreement was terminated which resulted in a final settlement payment received of \$31,500 which is recorded in investment income. The bonds are subject to repayment consistent with the repayments of the GNMA securities. Subsequent to yearend, the bonds were called in full on April 10, 2008.

Single Family Bonds of 2003 — The Authority had \$74,570,000 of bonds outstanding at March 31, 2006, with an interest rate which fluctuated based on an index. These bonds were redeemed in the year ended March 31, 2007.

2004A Series Bonds — The Authority had \$25,000,000 of bonds outstanding at March 31, 2006, with an interest rate which fluctuated based on an index. These bonds were redeemed in the year ended March 31, 2007.

Single Family Bonds of 2006A — The Authority has \$100,000,000 of bonds outstanding at March 31, 2007, with an interest rate which fluctuates based on an index. These bonds are subject to mandatory redemption no later than December 1, 2009.

2006 Series A Issue — During 2006, the Authority issued \$24,505,000 of Single Family Mortgage Revenue Bonds 2006 Series A. These obligations are secured by and payable solely from bond proceeds, revenues, GNMA and FNMA certificates and other amounts derived by the Authority from this issue and from certain reserve funds. These bonds are not guaranteed by or, in any way, an obligation of GNMA or FNMA.

The bonds require redemptions to be made on a monthly basis beginning September 1, 2007, based on the repayments of the underlying GNMA and FNMA certificates. These bonds are subject to redemption at the option of the issuer on or after June 1, 2017, at a redemption price of 103% of the principal plus accrued interest. The redemption price declines to 100% on June 1, 2028.

9. DEBT PAYMENT REQUIREMENTS

Following is a schedule of the future principal and interest payments of the Authority's debt based on the stated maturity dates of the debt. Actual repayment dates will likely occur earlier since substantially all of the debt is subject to early redemption provisions. These early redemption provisions relate to payments received on the mortgage-backed securities and mortgage loans receivable and certain other factors. These early redemptions will also reduce future interest payments.

Scheduled principal payments for the years ended March 31 are as follows (in thousands):

Single Family Program	2009	2010	2011	2012	2013	Thereafter	Total
1985 Series A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8	\$ 8
1991 MRCMO						1,500	1,500
Refunding Series of 1992			49,600				49,600
1996 Series A&B	10	10	10			3,480	3,510
1997 A, B & C	10					3,255	3,265
1998 Series A&B	10	10	10	5	5	5,135	5,175
1999 A&B Series	45	45				3,655	3,745
2000 A, B-1 & B-2						5,440	5,440
2001 A&B Series						5,217	5,217
2002 MRCMO	16	17	18	20		54	125
2003 A Series	60	60	65	70		5,590	5,845
2003 Taxable GNMA Series A						2,300	2,300
2006 Bond Issue		100,000					100,000
2006A Single Family						24,505	24,505
Total single family program	151	100,142	49,703	95	5	60,139	210,235
Xavier University	700	730	760	795	830	28,650	32,465
Willows	<u>7,919</u>						<u>7,919</u>
	<u>\$8,770</u>	<u>\$100,872</u>	<u>\$50,463</u>	<u>\$890</u>	<u>\$835</u>	<u>\$88,789</u>	250,619
Adjustments for premiums and discounts							(212)
Total							<u>\$250,407</u>

Scheduled interest payments for the years ended March 31 are as follows (in thousands):

Single Family Program	2009	2010	2011	2012	2013	Thereafter	Total
1985 Series A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 232	\$ 232
Refunding Series of 1992	3,115	3,115	1,555				7,785
1996 Series A & B	210	210	209	209	209	2,587	3,634
1997 A, B & C	187	187	187	187	187	2,348	3,283
1998 Series A & B	268	267	267	266	266	3,377	4,711
1999 A & B Series	167	164	163	163	163	7,218	8,038
2000 A, B-1 & B-2	332	332	332	332	332	6,245	7,905
2001 A&B Series	255	255	255	255	255	3,958	5,233
2002 MRCMO	8	8	8	8	8	53	93
2003 A Series	291	288	285	281	280	4,951	6,376
2003 Taxable GNMA Series A	111	111	111	111	111	831	1,386
2006 Bond Issue	4,300	2,150					6,450
2006 A Single Family	<u>1,197</u>	<u>1,197</u>	<u>1,197</u>	<u>1,197</u>	<u>1,197</u>	<u>30,528</u>	<u>36,513</u>
Total single family program	10,441	8,284	4,569	3,009	3,008	62,328	91,639
Xavier University	1,606	1,570	1,533	1,494	1,453	18,832	26,488
Willows	<u>468</u>						<u>468</u>
Total	<u>\$12,515</u>	<u>\$9,854</u>	<u>\$6,102</u>	<u>\$4,503</u>	<u>\$4,461</u>	<u>\$81,160</u>	<u>\$118,595</u>

10. OPERATING TRANSFERS

The Authority makes transfers between its various funds on a periodic basis. These transfers include the following:

1. Transfers from the Unrestricted Fund and other funds to finance the initial operations of new funds
2. Transfers of the net assets of funds that are liquidating to the Unrestricted Fund
3. Transfers from ongoing funds to the Unrestricted and Operating Funds to finance the Authority's ongoing operations

11. HURRICANE KATRINA

On August 29, 2005, Hurricane Katrina struck the New Orleans and other Gulf Coast areas. The Hurricane did substantial damage to the City of New Orleans and included much flooding. The Willows owns an apartment complex in New Orleans which was severely damaged by Hurricane Katrina. In the year ended March 31, 2006, the Willows wrote off approximately \$4,260,000 of the net book value of the property and incurred approximately \$1,400,000 of clean up and other remediation costs. The Willows received about \$4,900,000 of flood insurance proceeds through March 31, 2008. At March 31, 2008, approximately \$293,000 of the insurance proceeds were included in an escrow account on behalf of the Willows. In addition, the Willows has general wind and other damage insurance for which it received about \$150,000 in proceeds through March 31, 2008. Willows received \$2,200,000 in insurance proceeds related to a final settlement with its insurer in May 2008, of which \$1,040,000 was recorded as a receivable at March 31, 2007, and accordingly, at March 31, 2008, the remainder of this difference was recorded as a receivable of \$1,160,000 and a corresponding gain was recognized related to this final settlement in the accompanying 2008 statement of revenues, expenses and changes in net assets. During 2007, the Willows began renting the units that were available and, during 2008, the Willows substantially completed reconstruction of all the units.

12. OPERATING EXPENSES

The members of the Authority's Board of Trustees receive a per diem fee for all committee and board meetings attended. For the year ended March 31, 2008, the following amounts were paid to the Authority's Board members:

Board Member	
Joyce Glapion	\$ 2,000
Gary M. Clark	1,200
Stephen Daste	2,400
Joseph E. Friend	3,000
Belinda Little-Wood	1,900
Guy T. Williams	1,650
G. Wade Wootan	<u>1,600</u>
Total	<u>\$ 13,750</u>

These amounts are paid through the Operating Fund and included in program expenses in the accompanying statements of revenues, expenses and changes in net assets.

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Deloitte.

**Bruno
&Tervalon LLP**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of
The Finance Authority of New Orleans:

We have audited the individual financial statements of The Finance Authority of New Orleans (the "Authority"), as of and for the year ended March 31, 2008, and have issued our report thereon dated November 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we consider the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and the State of Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Deloitte & Touche LLP

Bruno & Tervalon LLP

November 20, 2008